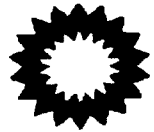


MAR 31 2005



O.Kirk Wardlaw

Offshore Land Manager
North American Exploration - Commercial Department

BP Exploration & Production Inc.
501 WestLake Park Boulevard (10.160)
Houston, TX 77079

[REDACTED]

April 1, 2005

Department of the Interior
Minerals Management Service
Attention: Rules Processing Team
381 Elden Street, Mail Stop 4024
Herndon, Virginia 20170-4817

281-366-4171
Fax: 281-366-7569
wardlaw@bp.com
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**Re: Comments on Minerals Management Service Proposal to
Increase Base Rentals and the Use of Sliding Scale Rentals in
the Gulf of Mexico (GOM) Lease Sales; 70 Federal Register
10111-10112 (March 2, 2005)**

Gentlemen:

BP Exploration & Production Inc. ("BP") appreciates the opportunity to respond to the Minerals Management Service (MMS) request for comments regarding the possible increase in base level rentals for all new leases awarded in the Gulf of Mexico (GOM) and the implementation of a sliding scale component for rentals on leases located in "deepwater."

BP, together with its pre-merger companies Amoco Production Company, Vastar Resources, Inc. and ARCO Oil & Gas Inc. have been actively involved in the Gulf of Mexico OCS for many years. [REDACTED]

[REDACTED]
[REDACTED] Offshore activities represent a substantial portion of BP's worldwide exploration and production effort and funding. BP supports environmentally sound and responsible management of the nation's resources.

As an active member of the American Petroleum Institute, BP participated in and fully supports the comments provided in their letter to you dated April 1, 2005. BP desires to reinforce several of the points raised in the letter and to provide the MMS with additional context regarding its exploration, development and production operations.

BP has no objection to the periodic raising of base rental rates on leases as the MMS has done from time to time as long as it is a reasonable increase and in line with inflationary pressures. While the proposed base rental increases in "shallow water" (water depths <200 meters) from \$5.00 to \$6.50 and in "deepwater" (water depths >200 meters) from \$7.50 to \$9.50 appear to be significant, BP believes that they are not unreasonable.

With regard to the sliding scale rental proposal for deepwater leases, BP believes that the implementation of this proposal could have the opposite effect than the MMS intended, resulting in negative consequences for the industry and the MMS. As you are aware, deepwater exploration is highly risky and expensive. Extensive technical evaluation must be performed and completed on a prospect prior to a decision to drill the first exploration well. Additionally, due to the extreme cost and risk associated with deepwater exploration, development and production, it is rare for a company to proceed without first entering into agreements with a co-venturer to share the risks and costs. Once a producer obtains exploration success, appraisal begins in earnest with additional technical evaluation, potentially new seismic acquisition or reprocessing, and more drilling. This "exploration/appraisal process" can and many times does take the majority of the 10 year lease term. Much effort has been expended in our company to reduce this time, but as we continue to explore more complex structures in deeper waters, the challenges of finding oil and gas increase.

The proposed sliding scale rental increase will add significant holding cost to each lease and may result in fewer leases being acquired. Any benefits derived from the sliding scale rental increase will be substantially offset by the reduction in lease bonus payments.

Finally, BP is of the opinion that the cost burdens associated with administering this sliding scale rental would be substantial to both the government and individual companies.

BP sincerely appreciates the opportunity to provide our comments. BP always welcomes the opportunity to meet with MMS representatives to clarify or discuss any of these comments. If you need additional information, please contact me at the number listed above or Dale Morrison at 281-366-4213.

Very truly yours



O. Kirk Wardlaw